Coronavirus Relief Funds (CRF) Update

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Presentation

- Familiar slides
 - Criteria, revenue recognition, latest Treasury guidance, etc.
- ▶ Review of November 19th MDE Communication
 - Allowability & Documentation
- ▶ More Q&A and discussion
 - *No formal approvals/denials of past or proposed expenditures

Coronavirus Relief Funds (CRF)

- Federal funds, usage authorized by Public Acts 123 & 146 of 2020
- Additional, separate source of federal COVID-related funding
- Expenditure Period: March 1 December 30, 2020
- Three separate "programs"
 - ▶ 103(2) "District COVID Costs": ~\$12.31 per-pupil paid in July State Aid
 - ▶ 11p "School Aid CRF Funding": \$350 per-pupil paid in August State Aid
 - ▶ Child Care Tuition Reimbursement: \$125 million total
 - *Potentially some other flowthrough funds through municipalities

Revenue Recognition

- State legislation establishing both programs not signed into law until after June 30, 2020
- CRF revenues may not be recognized (accrued, deferred, or otherwise) in FY20
- All CRF revenues should be recognized in FY21 to the extent eligible expenditures are incurred
 - "Advance-funded" federal "other financial assistance" (not grants)
 - Given existing expenditure period, no deferral of revenues allowed
 - ▶ Return of unspent funds after December 30th will be required

Expenditure Eligibility

- Meet all of the following criteria:
 - Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19)
 - Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government*
 - Were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020

*MDE interpretation: applies only to FY20 expenditures a district intends to charge to the award (FY21 budget would not be in place as of this date)

October 19th (updated)Treasury FAQ Excerpt

53. May Fund recipients incur expenses associated with the safe reopening of schools?

Yes, payments from the Fund may be used to cover costs associated with providing distance learning (e.g., the cost of laptops to provide to students) or for in-person learning (e.g., the cost of acquiring personal protective equipment for students attending schools in-person or other costs associated with meeting Centers for Disease Control guidelines).

To this end, as an administrative convenience, Treasury will presume that expenses of up to \$500 per elementary and secondary school student to be eligible expenditures, such that schools do not need to document the specific use of funds up to that amount.

Treasury FAQ (cont.)

If a Fund recipient avails itself of the presumption in accordance with the previous paragraph with respect to a school, the recipient may not also cover the costs of additional re-opening aid to that school other than those associated with the following, in each case for the purpose of Nonexclusive list uses addressing COVID-19:

- expanding broadband capacity;
- hiring new teachers;
- developing an online curriculum;
- acquiring computers and similar digital devices;
- acquiring and installing additional ventilation or other air filtering equipment;
- incurring additional transportation costs; or
- incurring additional costs of providing meals.

Required Reporting

- Previously, separate certification, expenditure, and expenditure forecast reports were to be submitted
- Due to Treasury FAQ addition and presumption of eligible expenditures, now only a single certification report will be required
 - Acknowledge receipt of funds, not revenue replacement, no supplanting, eligible expenditures, etc.
- Certifications were completed in GEMS/MARS, October 7th deadline to submit
 - No further reporting necessary

Subrecipient Monitoring (by MDE)

- Risk-based
- Not expected to go down to GL level (unless allowable use or timing concerns come up)
- Most monitoring expected after FY21 FID is complete
 - Critical that districts use proper Grant Codes for expenditures of CRF funds
 - Expenditures using CRF grant codes must equal CRF revenue received in July & August 2020 (unless some unspent and will be returned)

November 20th MDE Communication

- November 20, 2020 MDE Memo: CRF Allowable Uses and Documentation Requirements
- Two-page memo highlighting existing CRF requirements, Treasury guidance, and relevant FAQs
 - Also clarifies MDE interpretation/expectations related to the \$500 "presumption of eligibility" and expenditure documentation

"Incurred" Expenditures

- ► Treasury guidance addressing backordered purchases (like Chromebooks) that won't arrive by the December 30th deadline:
 - ...in recognition of the likelihood of supply chain disruptions and increased demand for certain goods and services during the COVID-19 public health emergency, if a recipient enters into a contract requiring the delivery of goods or performance of services by December 30, 2020, the failure of a vendor to complete delivery or services by December 30, 2020, will not affect the ability of the recipient to use payments from the Fund to cover the cost of such goods or services if the delay is due to circumstances beyond the recipient's control."

FAQs

- Can I use these funds for _____?
 - A: Can you justify the expenditure being related to one of the eligible expenditure categories, providing distance learning, and/or remote learning? If so, yes.
- ► How do I charge FY20 expenditures within the expenditure period if I can't recognize the revenue until FY21?
 - ► A: The FY20 expenditures will appear separately from FY21 expenditures on your FY21 SEFA. Auditors are continuing work on how this might be presented.

FAQs (cont.)

- CRF funds were paid in July & August State Aid, how does this impact my 2019-20 audit, FID reporting, State Aid reconciliation, etc.?
 - ▶ Short answer it doesn't. Grant agreements were not in place by June 30th, revenue should not be recognized, expenditures should not appear on SEFA, ignore amounts during reconciliation process (but keep for next year!)
- ▶ How do I account for expenditures of CRF funds?
 - As with expenditures of other restricted sources of funds, the regular function-object combination should be used, along with the appropriate Grant Code(s)

CARES & CRF Resources

- CARES Act Grant webpage: https://www.michigan.gov/mde/0,4615,7-140-5236-528117--,00.html (excluding CRF)
- State Aid & School Finance webpage on CARES & CRF: https://www.michigan.gov/mde/0,4615,7-140-6605-537428--,00.html
 - ▶ Pandemic accounting guidance
 - Program guidance/application links



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